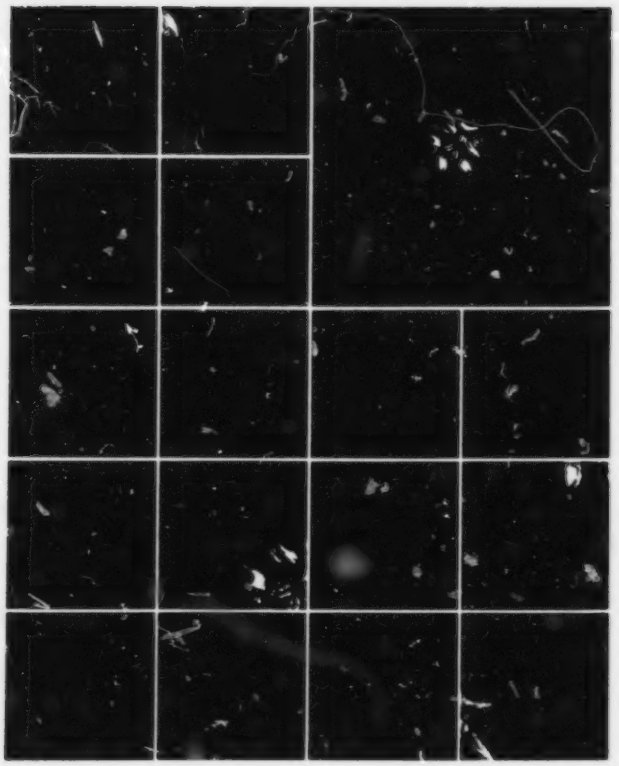
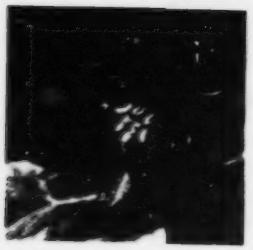
1987 FINANCIAL REPORT

PROVINCE OF ONTARIO





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Treasurer's Statement

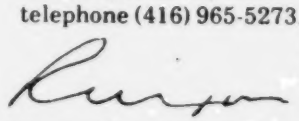
I am pleased to present the 1987 Financial Report of the Province of Ontario. It highlights the major aspects of Ontario's finances and presents summarized financial statements of the Province for the fiscal year ended March 31, 1987.

The Ontario economy exhibited strong growth during 1986 with real growth in Gross Provincial Product of 4.6% and inflation in the 4% range during fiscal year 1986-87. This strong economic climate generated increasing employment opportunities and, as a result, employment rose by 131,000.

Increased business investment led by capital spending on new production facilities in the auto industry, high consumer confidence as reflected in the growth of retail sales, and the strong housing market, played a key role in sustaining the Province's economic growth.

The 1986-87 Public Accounts, which will be submitted to the Ontario Legislature later this year, provide more detailed financial information.

Comments or questions on the contents of this Report are welcomed. You are invited to send them to the Office of the Treasury, Ministry of Treasury and Economics, 2nd Floor, Frost Building North, Queen's Park, Toronto, Ontario, M7A 1Y7, telephone (416) 965-5273.



Robert F. Nixon
Treasurer of Ontario

Toronto, August 1987

Ontario

The Year in Review

Highlights

($ millions)	1986-87	1985-86*
Budgetary revenue	29,544	26,240
Budgetary expenditure	32,178	28,854
Non-budgetary contribution	1,286	1,009
Net cash requirements	1,348	1,605
Gross provincial product	194,639	179,937

* Before extraordinary adjustments.

Ontario's economy

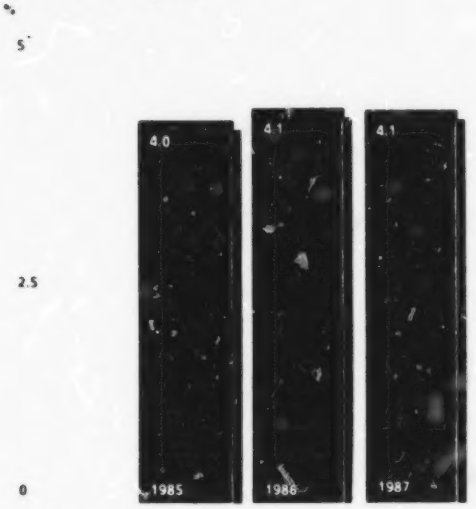
In fiscal 1986-87, Ontario's economy performed well. This strength was due to several factors, including increased business investment, strong residential construction and continued growth in consumer spending. Recent trends in provincial economic growth are set out in the following graphs and commentary.

Real gross provincial product (GPP) growth

A key indicator of the productive health of the provincial economy is real GPP growth – the percentage change in the value of all goods and services produced in Ontario, adjusted for inflation. After rebounding dramatically from the earlier recession, the growth rate of provincial output stabilized. In the calendar year 1986, GPP grew by 4.6%.

Graph 1
Real GPP growth

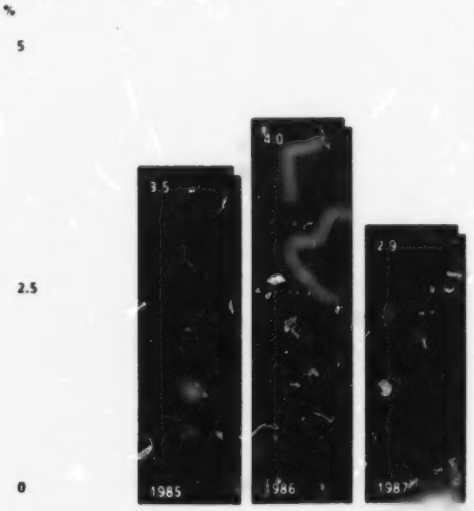
Graph 2
Inflation rate (CPI)



Growth in employment

A central element of an economy's health is its ability to generate jobs. The 1986-87 rate of growth of annual average employment, at nearly 3%, continued the positive trend of recent years.

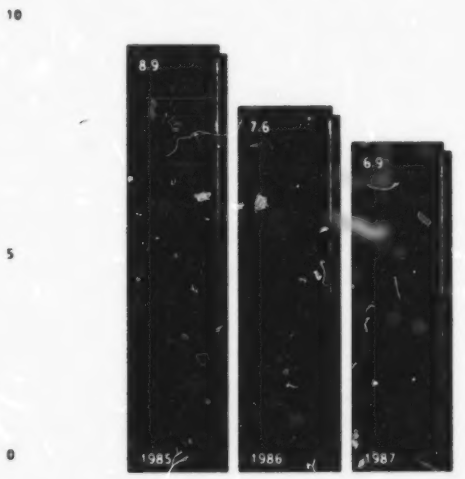
Graph 3
Growth in employment



Rate of inflation (CPI)

The rate of inflation as measured by the Consumer Price Index (CPI) has been stable in Ontario in recent years. In fiscal 1986-87 it remained steady at 4.1%.

Graph 4
Unemployment rate



Unemployment rate

The average unemployment rate continued to decline, dropping to 6.9% in fiscal 1986-87 from 7.6% in the previous year.

Graph 5

Prime rate/exchange rate Apr.86 - Mar.87

Interest rate and exchange rate

During fiscal 1986-87, the Canadian dollar made a steady recovery from its low point in mid-1986. The prime interest rate continued its downward trend, falling to 8.75%; the lowest level in eight years.

Revenue highlights

Budgetary revenues at $29,544 million were $1,090 million, or 3.8%, above the 1986 Budget forecast. Personal income tax revenues were $670 million more than originally budgeted due to adjustments by the federal government for prior years' actual personal income tax assessments. These increases were partly offset by a $170 million decrease in federal payments under the Established Programs Financing arrangement.

Expenditure highlights

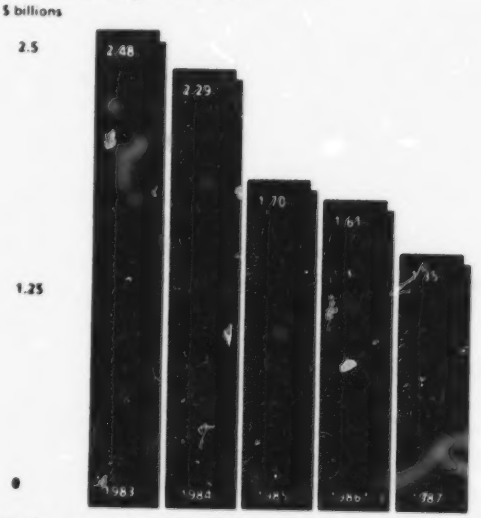
Budgetary expenditures of $32,178 million, were $1,147 million, or 3.7% above the original Budget plan. School boards received an additional $330 million to reduce the level of short-term borrowing requirements. Payments under the Ontario Health Insurance Plan for laboratory, physicians' and practitioners' services and payments under the Drug Benefit plan required an additional $181 million.

Net cash requirements

Net cash requirements for the year ended March 31, 1987, were $1,348 million, $196 million below the Budget estimate. Graph 6 shows net cash requirements for the past five years.

Graph 6

Net cash requirements



* Before extraordinary adjustments

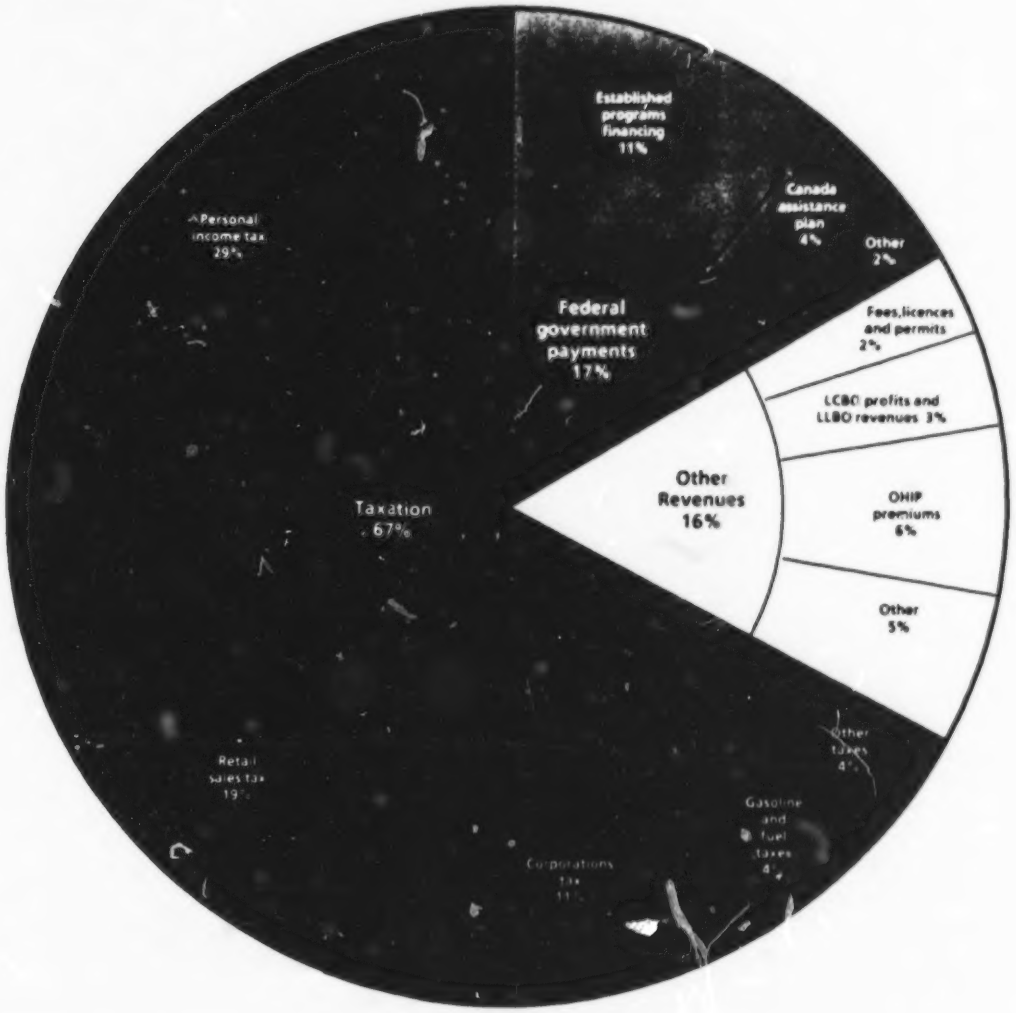
Budgetary Revenue

The major sources of budgetary revenue of $29,544 million and their respective percentages are shown in Chart 7 and Table 1.

Taxation

Personal income tax was $670 million above the 1986 Budget estimate. In-year adjustments by the federal government for prior years' actual assessments accounted for $152 million for the 1984 tax year, and $301 million for the 1985 tax year. The federal government also made an upward revision of $217 million in its estimated assessments for Ontario for the 1986 tax year. These increases resulted in a $170 million decrease in federal payments under the Established Programs Financing arrangement.

Chart 7
Sources of budgetary revenue



Corporations income tax revenues were $180 million higher than the Budget estimate, due mainly to a healthy corporate profit performance and a continuing decrease in the carry-over of prior-year losses.

Retail Sales Tax revenue exceeded the Budget estimate by $153 million, reflecting stronger than expected growth in consumer spending on taxable goods and services. Consumer spending was aided by lower interest rates.

Payments from the Government of Canada

Total payments from the federal government of $4,870 million were $174 million less than the Budget estimate. Payments under Established Programs Financing were $170 million below the Budget estimate, primarily as a result of upward adjustments to the personal income tax. Federal payments under the Canada Assistance Plan increased by $34 million as a result of a higher level of social assistance expenditures by the Province.

Health insurance premiums

Premiums collected under the Ontario Health Insurance Plan (OHIP) were $1,669 million, $16 million more than the Budget estimate. A broad program of premium assistance is in place for senior citizens, social assistance recipients and others requiring financial assistance, under which an estimated $770 million in premium revenue was foregone.

Payments from the Ontario Lottery Corporation

The $119 million gain in lottery profits is the result of strong growth in Lotto 6/49 sales.

Performance of major revenues 1986-87 — Table 1

($ millions)	Actual		Budget		Variance	
Taxation:						
Personal income tax	8,618		7,948		+670	
Retail sales tax	5,604		5,451		+153	
Corporations tax	3,205		3,025		+180	
Other	2,436		2,323		+113	
		19,863		18,747		+1,116
Government of Canada:						
Established programs financing	3,220		3,390		-170	
Other	1,650		1,654		-4	
		4,870		5,044		-174
OHIP premiums	1,669		1,653		+16	
LCBO profits and LLBO revenues	950		1,013		-63	
Ontario Lottery Corporation	465		346		+119	
Interest on investments, etc.	328		273		+55	
Other	1,399		1,378		+21	
		4,811		4,663		+148
Total		29,544		28,454		+1,090

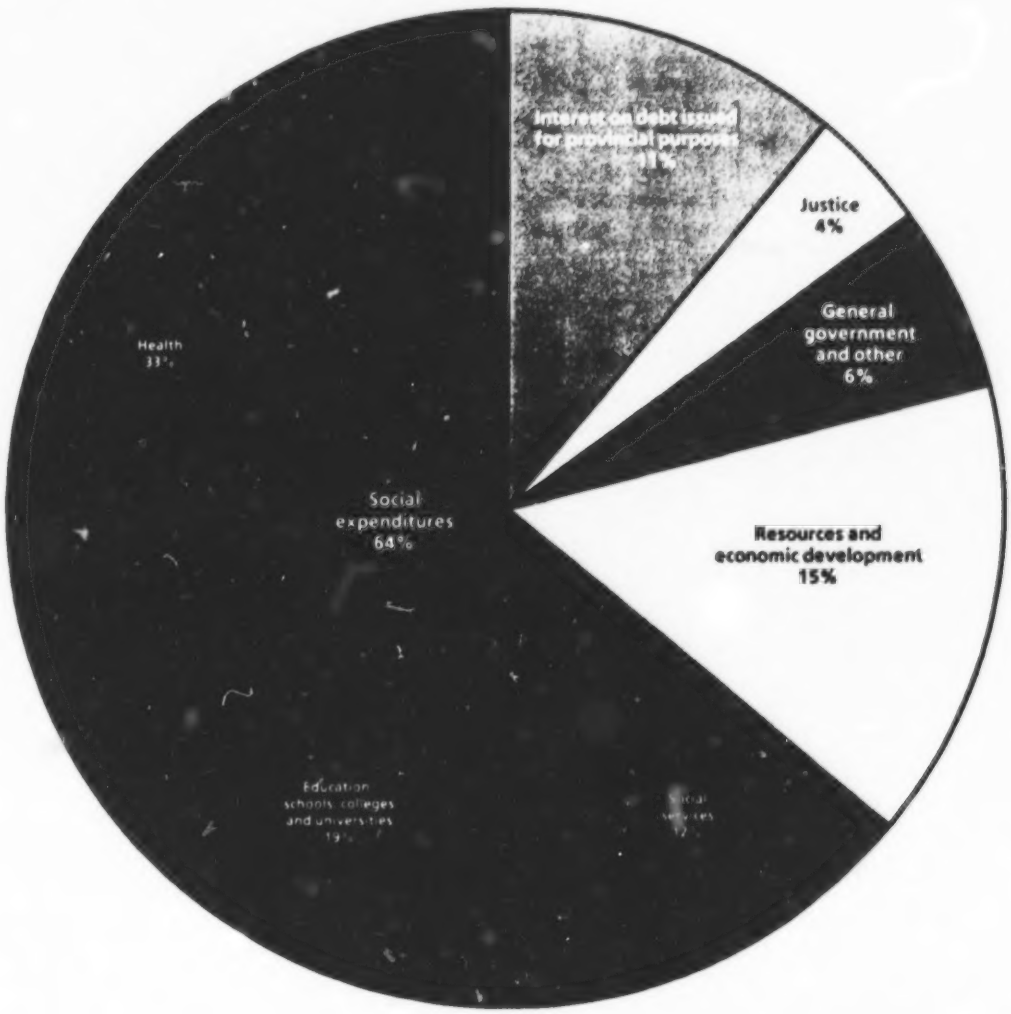
Budgetary Expenditure and its Major Components

Total budgetary expenditure was $32,178 million, $1,147 million over the Budget estimate. Chart 8 shows expenditure by major category.

Transfer payments

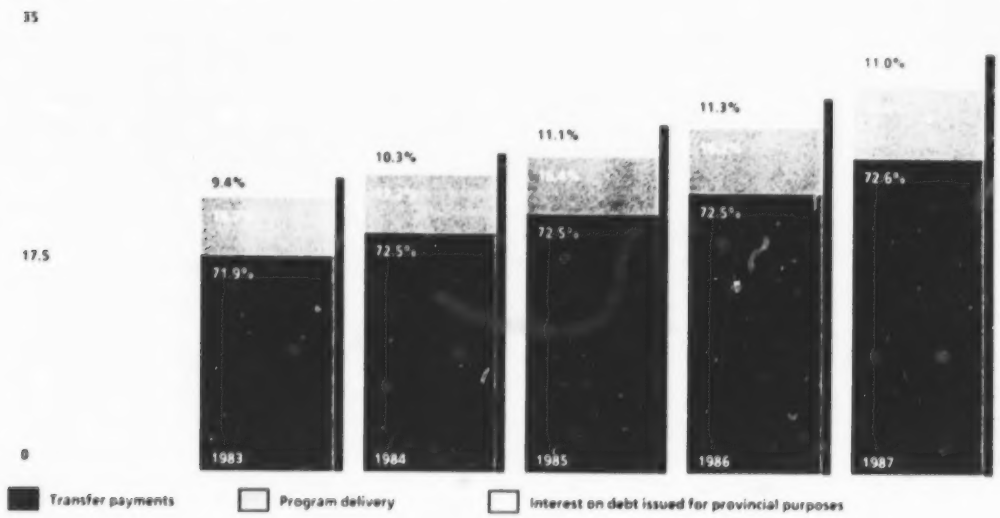
Transfer payments, which include grants, subsidies and assistance to persons and other government bodies, represented 72.6% of budgetary expenditure and amounted to $23,362 million. Graph 9 illustrates the five year trend of transfer payments in relation to program delivery costs and interest on debt issued for provincial purposes.

Chart 8
Budgetary expenditure by major category



Graph 9

Major components as a per cent of budgetary expenditures



• **Health expenditure** of $9,922 million included:

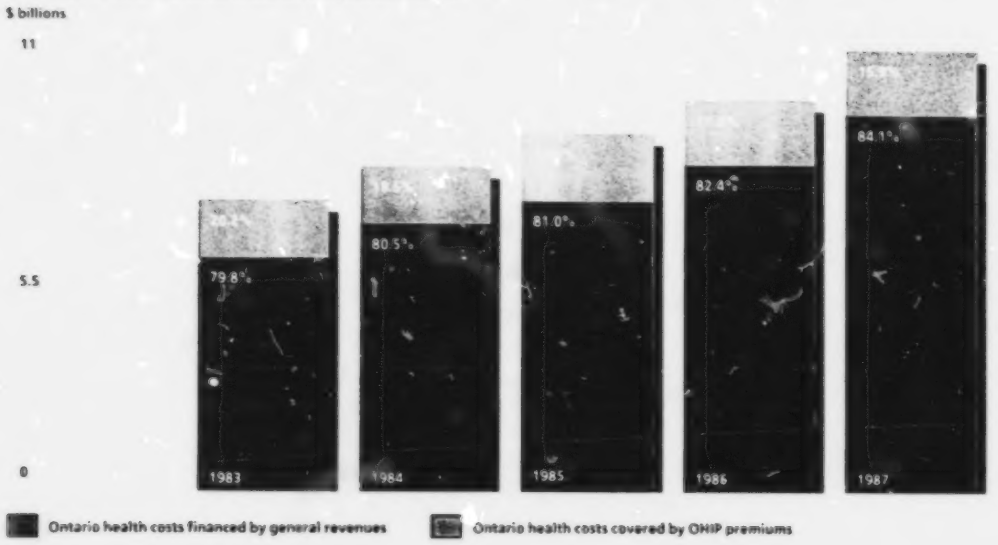
– $5,187 million (52%) transferred to hospitals and related facilities for operating and capital purposes;
– $3,177 million (32%) as payments to physicians and other health practitioners for services and health care provided under the Ontario Health Insurance Plan (OHIP);
– $1,120 million (11%) for extended and special care facilities, ambulance and emergency health services;
– $414 million (4%) in free prescription drugs provided to pensioners and social assistance recipients.

In addition, those requiring assistance received OHIP premium assistance amounting to an estimated $770 million.

As Graph 10 indicates, the Province continues to phase down its reliance on OHIP premiums to help fund health care. In 1986-87, OHIP premiums represented 15.9% of health expenditures, down from 20.2% in 1982-83.

Graph 10

OHIP premiums and health expenditures



• **Educational expenditure** was $6,870 million. The Province has carried out its responsibility for education by supporting local school boards for primary and secondary schools, as well as by funding universities, colleges and other post-secondary institutions. Major components of expenditure were:

– $3,787 million (55%) in transfer payments to the local school boards in support of their operating and capital financing needs. This includes an additional payment of $330 million for General Legislative Grants to reduce the level of short-term borrowing needs;
– $2,078 million (30%) to the post-secondary educational sector for operating and capital costs;
– $447 million (7%), paid by the Ministry of Treasury and Economics, as the matching employer's share of teachers' contributions for the Teachers' Superannuation and Adjustment Funds, and for supplementing pensions under these plans.

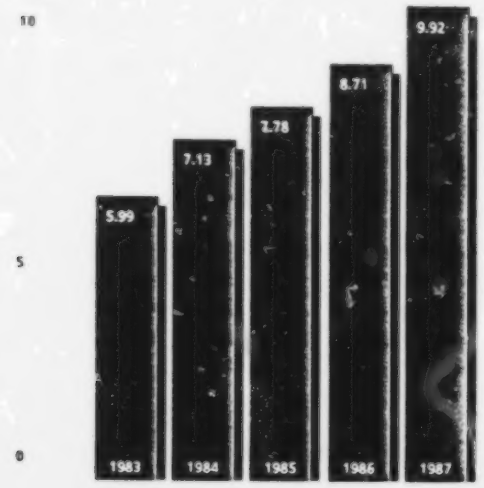
• **Social services expenditures** totalled $3,577 million. The services are provided mainly through the facilities of the Ministry of Community and Social Services and by their direct financial support to institutions, municipalities and various social agencies. Major expenditures were:

– $2,034 million (57%) for income maintenance to individuals requiring assistance on a long-term basis and subsidies to municipalities for their temporary assistance programs;

Graph 11a

Transfer payments by functional objective - Health

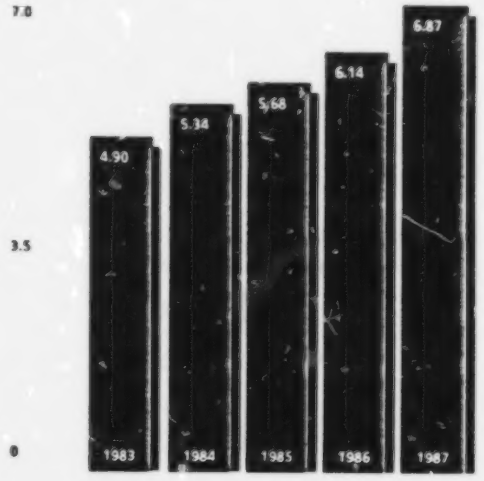
$ billions



Graph 11b

Transfer payments by functional objective - Education

$ billions



– $666 million (19%) towards the support of children's programs such as children's aid societies, day nurseries, mental health facilities and juvenile correctional programs;
– $495 million (14%) paid by the Ministry of Revenue, in the form of property tax grants, sales tax grants and guaranteed annual income system, all of which benefit Ontario senior citizens.

• **Other transfer payments to local governments,** designed to assist general municipal programs totalled $2,273 million. Major components were:

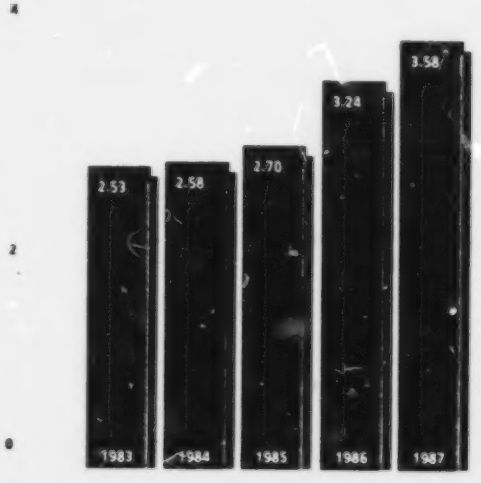
– unconditional grants to municipalities of $798 million;
– subsidies of $578 million to municipalities for road programs;
– capital and operating subsidies of $296 million for municipal transportation systems.

Graphs 11a, 11b and 11c show the five year trend of transfer payments by functional objective for health, education and social services.

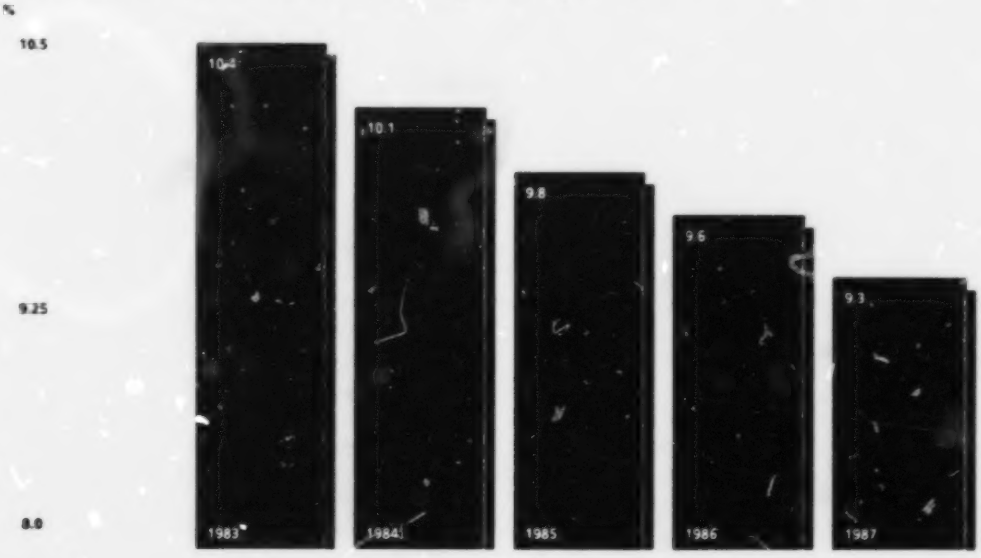
Graph 11c

Transfer payments by functional objective - Social services

$ billions



Graph 12
Salaries and benefits as a per cent of budgetary expenditure



Program delivery

Public servants' salaries and benefits, which make up the major share of program delivery, totalled $2,983 million, or 9.3% of the budgetary expenditure, down from 9.8% in 1984-85. Graph 12 shows the five year trend of salaries and benefits.

Interest on debt issued for provincial purposes

Interest costs associated with the debt for provincial purposes were $3,539 million, 11.0% of the budgetary expenditure, down from 11.3% in the previous year.

Capital investments

The capital investments of the Province include direct capital projects such as provincial highways and the Province's share of capital spending undertaken by municipalities, hospitals, universities, school boards, other provincial organizations and joint projects with private industry.

In fiscal 1986-87, these investments amounted to $2,473 million up from $2,215 million a year before.

Non-Budgetary Transactions

Non-budgetary transactions comprise the administration of lending, investment, pension and related benefit funds and special purpose accounts. These generated net inflows of $1,286 million to the Consolidated Revenue Fund. Table 2 shows the non-budgetary transactions by category.

Pension and related benefit funds

Pension inflows represent employer and employee contributions and interest earnings of funds held mainly for government employees, members of the Legislature, provincial judges and the Superannuation Adjustment Fund. The net inflows, consisting of the deposits and interest earnings less payments, from these funds totalled $760 million.

Lending and investment

Loans and advances to, and investments in, various Crown agencies and local governments amounted to $92 million. Repayments of loans and advances were $405 million, reflecting the impact of the divestment strategy undertaken by the Government in the 1985 Budget.

Special purpose accounts

The net payments into the Consolidated Revenue Fund of $213 million are composed mainly of deposits of the Province of Ontario Savings Office and a variety of special purpose accounts. The 21 branches of the Savings Office in Ontario accept interest bearing deposits from the general public and provide chequing privileges. All deposits are fully guaranteed by the Province. The funds, surplus to the day-to-day operating needs, are deposited with the Treasurer of Ontario. The balance on deposit at year end was $912 million, up from $717 million the previous year.

Non-budgetary transactions — **Table 2**

($ millions)	1986-87	1985-86
Pension and related benefit funds - net payments into funds	760	689
Loans, advances and investments in various Crown agencies and local governments - net repayments	313	248
Special purpose accounts - net increase in funds held	213	72
Non-budgetary contribution	1,286	1,009

Consolidated Debt of the Ontario Public Sector

Debt includes obligations that have a specified term to maturity and are secured by debt instruments including bonds, debentures, notes and treasury bills.

Ontario's outstanding debt of $35,707 million comprised $27,921 million for its own purposes and $7,786 million for Ontario Hydro. In addition, the Province's statement of financial position shows other liabilities, mainly to public sector pension plans.

As shown on Chart 13, the Province has borrowed mainly from the Canada Pension Plan (CPP) and the Teachers' Superannuation Fund (TSF). The funds borrowed from the CPP represent Ontario's share of the Plan's investable surplus. The CPP funds are made available to the Province in the same proportion as contributions to the Plan by Ontario's residents. In 1986-87, the borrowing from CPP was reduced to $232 million from the projected level of $600 million. In addition, $333 million of CPP debt was repaid. As a result, Ontario's own purpose CPP debt declined by $101 million.

The Teachers' Superannuation Commission, which administers the pension plan of the teachers in Ontario, invests its surplus funds in provincial securities. In 1986-87, the Province borrowed $1,310 million from the TSF. The Province has no foreign currency debt outstanding on its own behalf except for $7.1 million in West German currency, which will be repaid in the 1987-88 fiscal year.

The Province also borrows in the United States and from the Canada Pension Plan on behalf of Ontario Hydro. In these cases the proceeds are advanced to Ontario Hydro and are secured by bonds bearing like terms and conditions to the securities issued by Ontario. Of the $7,786 million outstanding at March 31, 1987, $6,667 million was borrowed in the United States and $1,119 million represented CPP funds passed to Ontario Hydro.

In addition, securities issued by Ontario Hydro in other markets are guaranteed by the Province, and this contingent liability amounted to $16,509 million at year end.

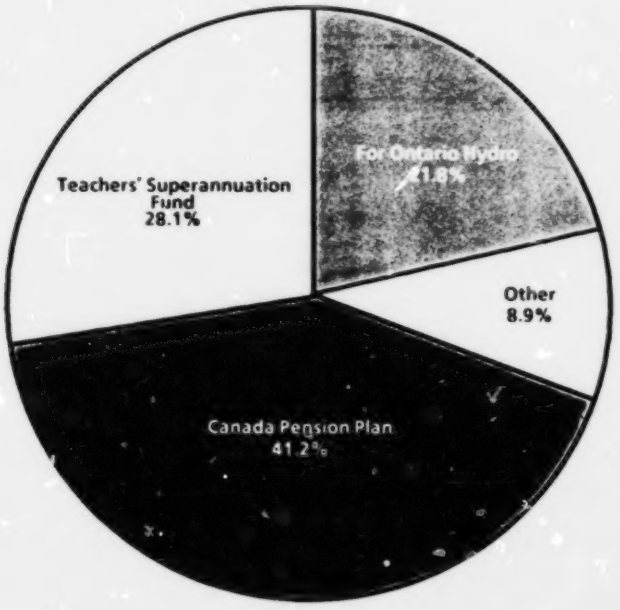
Public sector debt

A broad measure of debt in Ontario is presented in Table 3 and includes:

- Ontario's debt for provincial purposes;
- Ontario's debt issued on behalf of Ontario Hydro;
- obligations issued by Ontario Hydro and guaranteed by the Province;
- debt incurred by provincial agencies and by the local government, university and hospital sectors.

The consolidated debt approach highlights the effects of Ontario's policy of centralized public sector financing through which the Province's own financial strength has been used to fund the local government sector and its agencies. The Province has also carefully controlled the use of the provincial guarantee, restricting it almost exclusively to borrowings by Ontario Hydro.

Chart 13
Major components of debt



Consolidated debt of the Ontario public sector — **Table 3**

March 31 ($millions)	Interim 1987	%	Actual 1986	%
Debt incurred for				
– Provincial purposes	27,921	49.3	26,695	49.1
– Ontario Hydro	7,786	13.7	8,189	15.0
Guaranteed Debt*				
– Ontario Hydro	16,509	29.1	15,093	27.7
Sub-Total	52,216	92.1	49,977	91.8
Other Public Sector Debt				
Provincial Agencies	1,430	2.5	1,462	2.7
Local Government Sector**	2,889	5.1	2,842	5.2
University and Hospital Sector	137	0.3	143	0.3
Sub-Total	4,456	7.9	4,447	8.2
Total	56,672	100.0	54,424	100.0

* The guaranteed debt excludes bank loans and is net of debt accumulated by Ontario Hydro for early retirement, which in 1987 was $994 million (1986 $917 million).

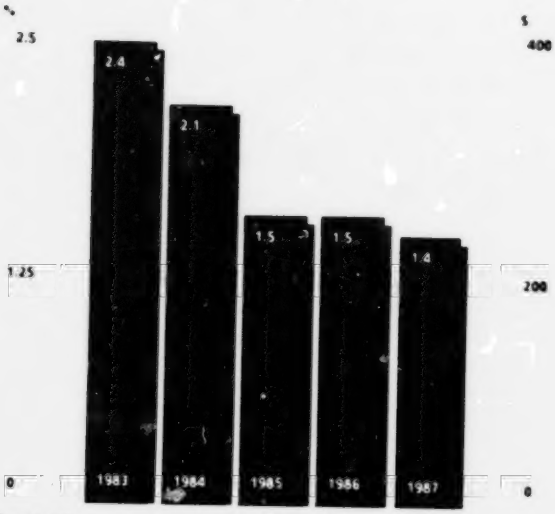
** The local government sector debt excludes Sinking Funds and Own Holdings, which in 1987 totalled $965 million (1986 $893 million).

Selected Financial and Economic Statistics

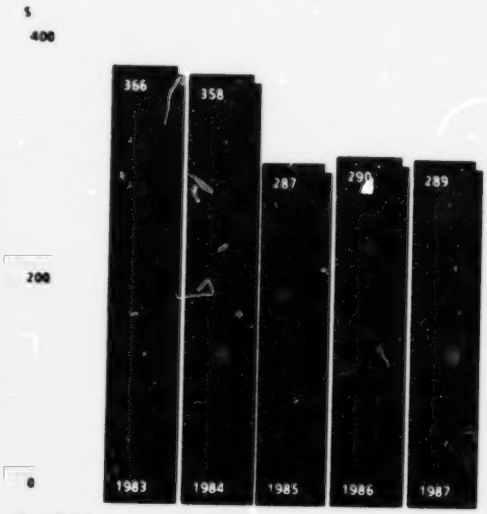
March 31 ($ millions)	1987	1986*	1985	1984	1983
Budgetary transactions					
Revenue	29,544	26,240	23,893	21,412	19,367
Expenditure	32,178	28,854	26,452	24,565	22,556
Budgetary deficit	2,634	2,614	2,559	3,153	3,189
Non-budgetary transactions					
Repayments and deposits	1,679	1,452	1,303	1,235	1,066
Payments	393	443	446	371	355
Non-budgetary contribution	1,286	1,009	857	864	711
Net cash requirements	1,348	1,605	1,702	2,289	2,478
Provincial debt transactions (net)	1,194	2,102	2,090	2,860	2,051
Ontario Hydro debt transactions (net)	(403)	(17)	719	429	485
Liabilities					
Debt incurred for - Provincial purposes	27,921	26,695	24,593	22,503	19,643
- Ontario Hydro	7,786	8,189	8,206	7,487	7,058
Other	7,182	6,539	5,662	5,011	4,333
Total liabilities	42,889	41,423	38,461	35,001	31,034
Gross provincial product at market prices[1]	194,639	179,937	166,317	149,477	134,987
Gross provincial product in constant (1981) prices[1]	153,723	147,007	140,470	130,776	123,955
Personal income (Ontario)[1]	170,151	157,806	145,916	131,906	122,421
Personal income (Ontario) per capita[1] (June 1 population) (in dollars)	18,669	17,515	16,393	14,993	14,068
Net cash requirements/GPP (%)	0.7	0.9	1.0	1.5	1.8
Debt incurred for provincial purposes/GPP (%)	14.3	14.8	14.8	15.1	14.6
Consolidated debt of the public sector/GPP (%)	29.1	30.2	30.5	31.6	30.5
Contingent liabilities	17,603	15,963	14,220	12,711	11,122

[1] Gross provincial product and personal income are calculated on a calendar year basis. The amounts appearing in a fiscal year column are for the preceding calendar year.

* Before extraordinary adjustments

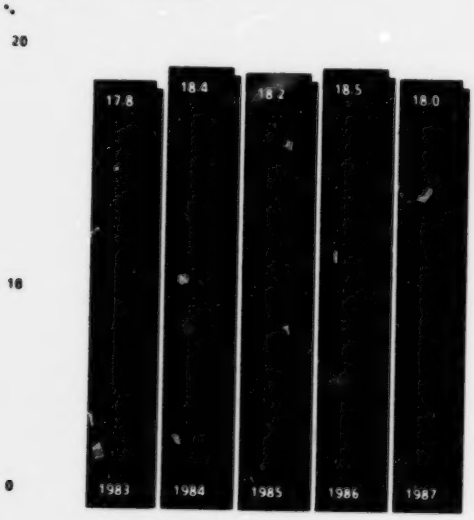


Graph 14
Budgetary deficit as a per cent of GPP

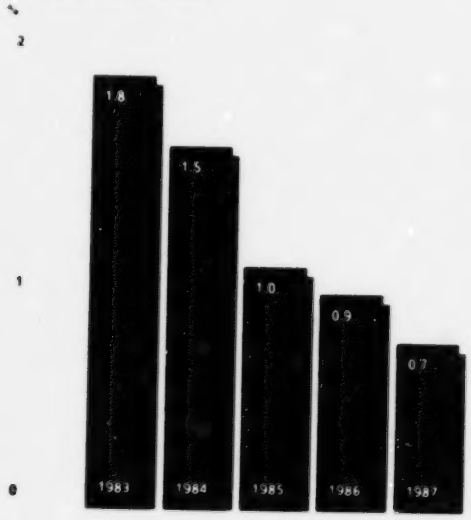


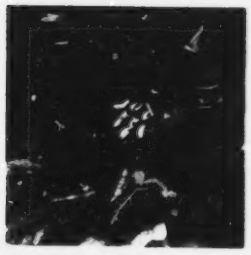
Graph 15
Budgetary deficit (dollars per capita)

Graph 16
Liabilities for provincial purposes as a per cent of GPP



Graph 17
Net cash requirements as a per cent of GPP





1987 Financial Statements

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Summary of Significant Accounting Policies

The accounting basis

The financial statements, prepared using the concept of a Consolidated Revenue Fund, have been designed to provide an accounting of the financial resources appropriated by the Ontario Legislature. The policies and practices followed by the Province, under which the financial transactions of government ministries are set out as Consolidated Revenue Fund cash inflows and outflows, best accommodate reporting to the Legislature.

The cash basis of accounting used by the Province is modified to allow for an additional thirty days to pay for debts incurred during the fiscal year just ended. Cash inflows, however, are closed at March 31 for cash received or in transit.

Loans and advances made to Crown corporations, boards and commissions are recorded as financial assets if they are expected to be repaid and have specific terms and conditions. The asset values are periodically adjusted when it can be reasonably determined that the value of the underlying security has diminished, and when the Province's asset is not likely to be fully recovered. Equity holdings in Crown corporations are valued at a nominal amount of $1.

The accounting of the Province's transactions is recorded under three categories:

Budgetary transactions

Budgetary transactions are the revenue and expenditure activities of the Government.

Revenue

This includes revenue raised through taxation, premiums, fees, licences and permits, payments from the federal government under fiscal arrangements and shared-cost programs, and income from investments.

Expenditures

Expenditures on government programs include payments for goods and services, transfer payments to individuals, local governments and institutions, subsidies and grants, salaries, interest on debt issued for provincial purposes and the acquisition and creation of fixed assets. Expenditures on fixed assets are expensed as budgetary items in the year of acquisition since they are not considered to differ from any other service to the public. Discount, premium and commission expenses related to debt issues are treated as current year budgetary transactions.

Non-budgetary transactions

Non-budgetary transactions are the lending, investment and special account administration activities of the Government, including loans, advances and investments, pension and related benefit funds and special purpose accounts. These transactions affect only asset and liability accounts.

Loans, advances and investments

This category includes Ontario's lending and investment activity in various Crown corporations, agencies and local governments.

Pension and related benefit funds

Pension and related benefit funds consist of all employee and employer contributions and interest earnings of the funds which are mainly for government employees, members of the Legislature, provincial judges, the Superannuation Adjustment Fund, less payments made from these funds.

Special purpose accounts

Special purpose accounts arise from provincial administration of special accounts, generally established by legislation, such as the Motor Vehicle Accident Claims Fund and deposits with the Province of Ontario Savings Office.

Financing transactions

Financing transactions show the issuance and repayment of securities.

Debt transactions

Provincial purpose transactions are the borrowing and repayment activities for the Province's own purposes.

Financial assets, accumulated deficit and liabilities

Financial assets

Advances to Ontario Hydro represent the funds advanced to the Corporation and are stated in Canadian dollars using the year-end rate of exchange.

All other financial assets are claims by the Consolidated Revenue Fund on other parties and have been created by cash transactions.

Accumulated deficit

The accumulated deficit of the Province is the difference between its liabilities and financial assets; it represents the accumulation of all budgetary deficits and surpluses since Confederation. The year-to-year change in the accumulated deficit is the amount by which budgetary revenues are greater or less than budgetary expenditures.

Liabilities

Liabilities are claims by other parties on the Consolidated Revenue Fund.

Debt incurred for provincial purposes comprises debentures, notes and treasury bills which are recorded at the face value of debt instrument, or in the case of the foreign currency denominated debt, at the Canadian dollar equivalent. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

Other liabilities include pension and related benefit funds, deposits with the Province of Ontario Savings Office and other special purpose accounts.

Contingent liabilities

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario and material claims against the Crown.

Foreign currency translation

Proceeds and retirements of loans denominated in foreign currencies are recorded as financing transactions at the Canadian dollar equivalent, using the rate of exchange prevailing on the day of the transaction. Debt payable and contingent liabilities are translated to Canadian dollars at year-end rates of exchange.

In the case of outstanding debt issued on behalf of Ontario Hydro, the offsetting advances to Ontario Hydro are similarly translated at year-end rates of exchange, so there is no exchange gain or loss to be recorded. Exchange gains or losses related to outstanding debt incurred for provincial purposes are recorded as budgetary transactions.

Statement of Consolidated Revenue Fund Transactions

Province of Ontario

For the year ended March 31, 1987 ($ millions)	Original Budget	Actual 1987	Actual 1986
Budgetary transactions			
Revenue	28,454	**29,544**	26,240
Expenditure	31,031	**32,178**	28,854
Budgetary deficit	2,577	**2,634**	2,614
Non-budgetary transactions (net)			
Pension and related benefit funds	773	**760**	689
Loans, advances and investments	193	**313**	248
Special purpose accounts	67	**213**	72
Total non-budgetary contribution	1,033	**1,286**	1,009
Net cash requirements	1,544	**1,348**	1,605
Financing			
Debt transactions			
Proceeds of loans net of retirements	1,506	**1,194**	2,102
(Increase) decrease in cash and temporary investments (note 13)	38	**154**	8
Total financing	1,544	**1,348**	2,110
Net cash requirements after extraordinary adjustments (note 12)	1,544	**1,348**	2,110

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of Budgetary Revenue

Province of Ontario For the year ended March 31, 1987 ($ millions)	Original Budget	Actual 1987	Actual 1986
Taxation			
Personal income tax	7,948	**8,618**	7,249
Retail sales tax	5,451	**5,604**	5,025
Corporations tax	3,025	**3,205**	2,575
Gasoline tax	1,017	**989**	977
Tobacco tax	590	**611**	603
Land transfer tax	270	**353**	205
Fuel tax	265	**266**	242
Mining profits tax	55	**121**	55
Race tracks tax	67	**71**	64
Public utilities income tax	45	**14**	56
Succession duty		**5**	6
Other	13	**6**	5
	18,746	**19,863**	17,062
Other revenue			
Ontario Health Insurance Plan premiums	1,653	**1,669**	1,622
Profits from Crown corporations and boards			
Liquor Control Board of Ontario	695	**629**	638
Ontario Lottery Corporation	346	**465**	317
Vehicle registration fees	430	**438**	356
Interest on investments, loans and advances	273	**328**	455
Liquor Licence Board of Ontario revenues	318	**321**	275
Other fees and licences	283	**257**	252
Royalties	170	**167**	164
Utility service charges	130	**120**	126
Sales and rentals	100	**99**	73
Fines and penalties	95	**95**	87
Other	170	**223**	131
	4,663	**4,811**	4,496
Government of Canada			
Established Programs Financing			
Cash Contribution	2,981	**2,813**	2,752
Extended Health Care Services	409	**407**	385
Canada Assistance Plan	1,090	**1,123**	1,045
National Training Agreement	171	**157**	171
Other	394	**370**	329
	5,045	**4,870**	4,682
Total budgetary revenue	28,454	**29,544**	26,240

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of Budgetary Expenditure

Province of Ontario

For the year ended March 31, 1987 ($ millions)	Original Budget	Actual 1987	Actual 1986
Ministry			
Agriculture and Food	434	**465**	387
Attorney General	313	**327**	286
Office Responsible for Women's Issues	10	**8**	10
Office Responsible for Native Affairs	2	**4**	1
Citizenship and Culture	227	**274**	215
Colleges and Universities	2,128	**2,254**	2,063
Community and Social Services	3,133	**3,285**	2,872
Consumer and Commercial Relations	107	**113**	100
Correctional Services	331	**330**	283
Education	3,585	**3,937**	3,381
Energy	45	**43**	83
Environment	345	**340**	317
Financial Institutions	27	**23**	25
Government Services	457	**461**	433
Office Responsible for Disabled Persons	2	**5**	1
Office Responsible for Senior Citizens Affairs	4	**3**	2
Health	10,021	**10,480**	9,251
Housing	350	**296**	234
Industry, Trade and Technology	167	**197**	82
Intergovernmental Affairs	6	**7**	8
Labour	92	**97**	77
Legislative and Executive Offices	10	**9**	8
Management Board of Cabinet	26	**25**	20
Municipal Affairs	875	**891**	848
Natural Resources	477	**529**	444
Northern Development and Mines	201	**220**	175
Revenue	718	**703**	684
Skills Development	459	**405**	392
Solicitor General	378	**368**	340
Tourism and Recreation	158	**167**	160
Transportation and Communications	1,767	**1,768**	1,602
Treasury and Economics	619	**520**	735
Interest on debt issued for provincial purposes	3,575	**3,539**	3,250
Other	82	**85**	85
Estimated year-end savings (note 11)	(100)		
Total budgetary expenditure (note 10)	31,031	**32,178**	28,854

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of Non-Budgetary Transactions

Province of Ontario

For the year ended March 31, 1987 ($ millions)	Original Budget	**Actual 1987**	Actual 1986
Pension and related benefit funds			
DEPOSITS TO:			
Public Service Superannuation Fund	725	**714**	641
Superannuation Adjustment Fund	320	**313**	283
Other	23	**22**	22
	1,068	**1,049**	946
PAYMENTS FROM:			
Public Service Superannuation Fund	181	**181**	164
Superannuation Adjustment Fund	104	**100**	82
Other	10	**8**	11
	295	**289**	257
Net deposits to pension and related benefit funds	773	**760**	689
Loans, advances and investments			
REPAYMENTS BY:			
Corporations, boards and commissions			
Ontario Mortgage Corporation	177	**177**	86
Development Corporations	34	**64**	57
Crop Insurance Commission of Ontario			13
Ontario Education Capital Aid Corporation			79
Ontario Universities Capital Aid Corporation			26
Other	6	**8**	20
Local governments	90	**96**	74
Water treatment and waste control facilities	30	**52**	46
Other loans and investments	10	**8**	23
	347	**405**	424
PAYMENTS TO:			
Corporations, boards and commissions			
Development Corporations	106	**47**	77
Ontario Energy Corporation			16
Other	1	**5**	13
Local governments	29	**23**	36
Water treatment and waste control facilities	18	**17**	34
	154	**92**	176
Net repayments of loans, advances and investments	193	**313**	248

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of Non-Budgetary Transactions (continued)

Province of Ontario For the year ended March 31, 1987 ($ millions)	Original Budget	Actual 1987	Actual 1986
Special purpose accounts			
DEPOSITS TO:			
Province of Ontario Savings Office	38	195	62
Motor Vehicle Accident Claims Fund	11	13	10
Other	30	17	10
	79	225	82
PAYMENTS FROM:			
Motor Vehicle Accident Claims Fund	9	6	6
Other	3	6	4
	12	12	10
Net deposits to special purpose accounts	67	213	72
Total non-budgetary contribution (net)	1,033	1,286	1,009

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of Debt Transactions

Province of Ontario For the year ended March 31, 1987 ($ millions)	Original Budget	Actual 1987	Actual 1986
Proceeds of loans			
Canada Pension Plan Investment Fund	600	232	1,214
Teachers' Superannuation Fund	1,255	1,310	1,235
Total proceeds of loans	1,855	1,542	2,449
Retirements of loans			
Canada Pension Plan Investment Fund	343	333	20
Other debentures and notes	6	15	327
Total retirements of loans	349	348	347
Debt transactions (net)	1,506	1,194	2,102

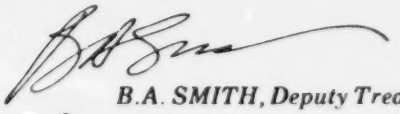
See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of Financial Position

Province of Ontario As at March 31, 1987 ($ millions)	1987	1986
Financial assets		
Cash and temporary investments (note 1)	**1,978**	2,118
Loans to local governments	**516**	588
Advances to corporations, boards and commissions (note 2)	**513**	715
Investments in water treatment and waste control facilities (at cost less recoveries) (note 3)	**475**	510
Other loans (note 4)	**92**	54
	3,574	3,985
Advances to Ontario Hydro, secured by bonds (note 5)	**7,786**	8,189
Total financial assets	**11,360**	12,174
Accumulated deficit	**31,529**	28,919
	42,889	41,093
Liabilities		
Debt incurred for provincial purposes (note 6)	**27,921**	26,695
Pension and related benefit funds (note 7)	**6,157**	5,397
Deposits with the Province of Ontario Savings Office	**912**	717
Other special purpose accounts	**113**	95
Total liabilities for provincial purposes	**35,103**	32,904
Debt incurred for Ontario Hydro (note 6)	**7,786**	8,189
	42,889	41,093
Contingent liabilities (note 8)	**17,603**	15,963

See accompanying Summary of significant accounting policies and Notes to the financial statements.

The accompanying March 31, 1987 financial statements of the Province of Ontario, including the notes and the Summary of Significant Accounting Policies are the responsibility of the Office of the Treasury and have been prepared in accordance with the accounting policies as described in the Summary of Significant Accounting Policies. In the opinion of the Office of the Treasury, these financial statements have been properly prepared, include all material items, and contain all information available up to July 29, 1987.



B.A. SMITH, Deputy Treasurer of Ontario and Deputy Minister of Economics

A.W. NETHERY, Director, Financial Information and Accounting Policy Branch

Notes to the Financial Statements

(all figures in millions of dollars)

1. Cash and temporary investments

Temporary investments are mainly marketable short-term securities issued by Canadian chartered banks, and by provincial and federal governments and are recorded at cost.

2. Advances to corporations, boards and commissions

	1987	1986
Development Corporations	$268	$285
Ontario Mortgage Corporation (note 13)	146	323
Other	99	107
	$513	$715

The Ontario Development Corporation and the associated Eastern Ontario Development Corporation and Northern Ontario Development Corporation provide loans and arrange for provincial guarantees of bank loans to qualified enterprises. The Province has advanced funding for the Corporations' lending programs. The Province also defrays the Corporations' costs for all administrative expenses, loans made at low interest rates, and honouring guarantees, amounting to $16 million in 1987 (1986 $15 million). Advances to the Corporations are reduced by their loan forgiveness and write-offs, amounting to $16 million in 1987 (1986 $9 million).

The Ontario Mortgage Corporation advances of $146 million as at March 31, 1987 represent the market value of mortgages held by the Corporation.

3. Investments in water treatment and waste control facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. These investments are being recovered over the life of the agreements with the municipalities.

Agreements covering $407 million of the investment are for provincially-owned projects that are subject to service rate billings. The proceeds from these billings are used to amortize the investment over periods of up to forty years, to pay for operating costs, and to provide a return on the investment.

Certain other agreements provide for the accumulation of the principal portion of annual amortization payments in a sinking fund. The accumulated balance in these funds, amounting to $36 million at March 31, 1987 (1986 $45 million), was applied as a reduction of the investment account.

4. Other loans

Included in other loans are Ministry of Health capital construction loans to public hospitals amounting to $35 million (1986 $42 million) as well as mortgages of $36 million assumed from the Ontario Land Corporation.

5. Advances to Ontario Hydro

The Province issues securities and advances the proceeds to Ontario Hydro in exchange for bonds with like terms and conditions. These transactions and the ensuing retirement and debt servicing costs are the result of a financing alternative and are not part of the Province's own budget plan. As at March 31, 1987, the bonds consist of U.S. $5,109 million (1986 U.S. $5,145 million), and Canadian $1,119 million (1986 Canadian $1,000 million) with respect to Canada Pension Plan funds. The bonds denominated in U.S. dollars are recorded at $6,667 million (1986 $7,189 million), the Canadian dollar equivalent using the exchange rate in effect on that date. Transactions during the year are as follows:

	1987	1986
Proceeds of loans	$ 119	$
Retirements of loans	(50)	(175)
Net proceeds/retirements	69	(175)
Foreign exchange - (gain)/loss	(472)	158
Net (decrease) increase in debt incurred for Ontario Hydro purposes	(403)	(17)
Related advances, interest and recoveries		
Advances to Ontario Hydro	119	
Interest	897	916
Recovery of interest and loan retirements	(947)	(1,091)
Net advances	69	(175)
Foreign exchange - (gain)/loss	(472)	158
Net related advances, interest, foreign exchange - (gain)/loss and recoveries	$ (403)	$ (17)

6. Debt

Debentures, notes and treasury bills for provincial purposes and for Ontario Hydro, expressed in Canadian dollars, are summarized by years of repayment/maturity in the following tables.

For Provincial purposes

Years of repayment/ maturity March 31	1987	Weighted average interest rate %	1986	Weighted average interest rate %
1987	$		$ 998	
1988	1,427		775	
1989	920		919	
1990	454		453	
1991	486		484	
1992	508			
1-5 years	3,795	7.72	3,629	8.18
6-10 years	5,047	8.28	4,478	8.02
11-15 years	6,780	10.54	6,646	9.81
16-20 years	10,097	12.22	9,733	12.53
21-25 years	2,093	12.76	2,086	13.21
26-30 years	73	9.97	72	9.92
31-35 years	36	10.24	51	10.18
	$27,921	10.52	$26,695	10.55

Payable to:	1987	1986
Minister of Finance of Canada		
Canada Pension Plan Investment Fund	$14,727	$14,827
Other	351	330
Teachers' Superannuation Fund	10,029	8,719
The Ontario Municipal Employees Retirement Fund	1,293	1,293
Public Investors	1,521	1,526
	$27,921	$26,695

For Ontario Hydro

Years of repayment/ maturity March 31	1987 Canadian	United States	Total	Weighted average interest rate %	1986 Total	Weighted average interest rate %
1988	$	$ 261	$ 261		$ 279	
1989						
1990		261	261		279	
1991		57	57		62	
1992		514	514			
1-5 years		1,093	1,093	12.56	620	9.88
6-10 years		617	617	12.95	1,171	14.42
11-15 years	1,000	611	1,611	11.80	1,127	9.71
16-20 years	119	1,560	1,679	8.85	1,920	10.76
21-25 years		2,416	2,416	11.07	2,265	9.17
26-30 years		370	370	12.78	1,086	14.78
	$1,119	$6,667	$7,786	11.18	$8,189	11.17

Payable to:	1987	1986
Minister of Finance of Canada		
Canada Pension Plan Investment Fund	$1,119	$1,000
Public Investors	6,667	7,189
	$7,786	$8,189

The U.S. dollar debenture liability has been revalued, using the rate of exchange as at March 31. The foreign exchange gain is $472 million (loss of $158 million in 1986).

As explained in Note 5, the Province has an offsetting asset of Ontario Hydro bonds with like terms and conditions to the securities issued by the Province.

7. Pension and related benefit funds

The Province maintains accounts within the Consolidated Revenue Fund for all contributions and interest earnings less payments regarding the following pension and related benefit funds and accounts. The amounts recorded by the Province are the sole assets of these plans.

	1987	1986
Public Service Superannuation Fund	$4,563	$4,030
Superannuation Adjustment Fund	1,514	1,300
Legislative Assembly Retirement Allowances Account	36	32
Provincial Judges Benefits Fund	37	31
Other	7	4
	$6,157	$5,397

The latest actuarial report of the Public Service Superannuation Fund as at December 31, 1985, showed a surplus of $109.9 million.

An actuarial review of the Legislative Assembly Retirement Allowances Account as at March 31, 1986, showed a deficit of $1 million. The Province has made this payment as at March 31, 1987.

8. Contingent liabilities

	1987	1986
Obligations guaranteed by the Province:		
Debentures, bonds and notes		
Ontario Hydro	$16,509	$15,093
Bank loans guaranteed		
Corporations and individuals through various government programs	383	319
Other guarantees		
Corporations	711	551
	$17,603	$15,963

Claims against the Crown:

There are claims outstanding against the Crown of which six are for amounts over $50 million each, arising from legal action either in progress or threatened in respect of native Indian land claims, breach of contract, damages to persons and property and like items. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain. To the extent that any such claims are successful, settlements resulting therefrom will be recorded as budgetary expenditure when paid.

9. Teachers' Superannuation Fund

Through budgetary expenditure, the Province makes annual payments matching teachers' contributions to the Teachers' Superannuation Fund, which is administered by the Teachers' Superannuation Commission. The Province is also committed to paying any deficiency in the Fund.

The latest actuarial report as at December 31, 1984 showed a surplus of $693 million.

10. Budgetary expenditure by classification, net of recoveries

	1987	1986*
Salaries and wages	$ 2,580	$ 2,378
Employee benefits	403	386
Transportation and communication	200	214
Services	1,016	790
Supplies and equipment	653	505
Acquisition/construction of physical assets	273	307
Transfer payments	23,362	20,927
Interest on debt issued for provincial purposes	3,539	3,250
Other transactions	152	97
Total budgetary expenditure	$32,178	$28,854

* Before extraordinary adjustments

11. Budget figures

The budget figures in the financial statements are from the 1986 Ontario Budget which was presented by the Treasurer of Ontario to the Legislative Assembly on May 13, 1986.

The Estimated year-end savings figure in the Statement of budgetary expenditure represents expected underspending during the year which was not specifically identified by ministry at Budget time.

12. Comparative figures

The 1986 comparative figures have been reclassified where necessary to conform with the 1987 financial statement presentation.

a) 1985-86 Extraordinary Adjustments

Before 1985-86, loans and advances made to, and investments made in, Crown corporations, boards and commissions were recorded as financial assets. In some cases, the funds required to repay the advances and loans were effectively provided out of provincial expenditure appropriations. Following an announcement in the October 1985 Budget, certain advances, loans and investments in corporations, boards and commissions were written down or forgiven. The write-offs or loan forgiveness were classified as extraordinary adjustments, since they were not typical of normal government activities and were not considered as recurring factors in any evaluation of ordinary government operations.

In summary, extraordinary adjustments and their impact:

- increased budgetary expenditure $3,671 million
- increased non-budgetary contribution $3,166 million
- increased net cash requirements $505 million

Full details were described in the 1986 Financial Report and the 1986 Public Accounts. For better comparison, the 1987 financial statements are compared to 1986 excluding the extraordinary adjustments.

b) Interprovincial lotteries

Prior to April 1, 1986, interprovincial lottery profits were paid into a non-budgetary special purpose account from which authorized payments were made. This account had a balance of $330 million at March 31, 1986.

Beginning in 1986-87, interprovincial lottery profits are reported as budgetary revenue. The 1986 results have been restated on a comparative basis:

- budgetary revenue increased by $181 million
- budgetary expenditure increased by $65 million
- budgetary deficit decreased by $116 million
- special purpose accounts decreased by $330 million
- March 31, 1986 accumulated deficit decreased by $330 million

13. Ontario Land Corporation

As at March 31, 1987, the Ontario Land Corporation (OLC) was dissolved and its assets taken over by the Ontario Mortgage Corporation and the Province. The Province assumed a liability of $32 million in debentures due to Canada Mortgage and Housing Corporation together with a debt retirement fund of $35 million established by OLC. This retirement fund consisted of cash and marketable securities of $15 million and $20 million of mortgages. In addition, the Province assumed a further $16 million in mortgage assets, together with a net amount due to the Province from OLC on liquidation of $5 million. Since the Province merely assumed existing assets and liabilities, those transactions were effected directly to the Statement of financial position:

- debt increased by $32 million
- cash and temporary investments increased by $15 million
- other loans increased by $41 million
- accumulated deficit decreased by $24 million

Sources of Additional Information

The Ontario Budget

The Ontario government presents a Budget each year, usually in the early spring. The background and implications of any new tax proposals are contained in the Budget papers, which include the Budget Statement, Budget measures, the fiscal plan and other information. Copies may be obtained free from the Ontario Government Bookstore, 880 Bay Street, Toronto, or by writing to the Publications Services Section, 5th Floor, 880 Bay St., Toronto, Ontario M7A 1N8.

The Estimates of the Province of Ontario

The government's spending estimates for the fiscal year commencing April 1 are presented to members of the Legislative Assembly following the presentation of the Ontario Budget by the Treasurer. The estimates outline the spending plans of each Ministry that the Legislative Assembly will be asked to approve in the form of the Supply Act and various other appropriation acts. Supplementary estimates are tabled as required during the fiscal year. Copies of the estimates may be obtained free from the Ontario Government Bookstore, 880 Bay Street, Toronto or by writing to the Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario M7A 1N8.

The Public Accounts of Ontario

The Public Accounts of Ontario, the government's annual financial report required by Section 13 of the Ministry of Treasury and Economics Act for the fiscal year ended March 31, is tabled in the Legislature usually in October of each year. They consist of three volumes:

- Volume 1 contains the financial statements of the Province and schedules of supporting information.
- Volume 2 contains the financial statements of those provincial Crown corporations, boards and commissions in which the Province has an investment or that have borrowed from the Province or from others with a guarantee by the Province. Also included are selected agencies and certain significant operational agencies that are funded in whole or in part by revenues generated from their operations.
- Volume 3 contains the details of expenditures required by the Standing Public Accounts Committee.

The Public Accounts are available from the Ontario Government Bookstore, 880 Bay Street, Toronto, Ontario. Prices are: Volume 1, $3; Volume 2, $2; Volume 3, $2.50.

Ontario Finances

This is a quarterly report on the government's Budget for the fiscal year. It covers developments during the fiscal year and provides a revised outlook for the remainder of the year. Copies may be obtained free by writing to the Ministry of Treasury and Economics, Communications Branch, 5th Floor, Frost Building South, 7 Queen's Park Crescent, Toronto, Ontario, M7A 1Y7.

Ontario Statistics

This report supplies information on four areas -- the Land, the People, the Economy and the Government. The latest edition (1986) is available from the Ontario Government Bookstore, 880 Bay Street, Toronto, or by writing to the Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario, M7A 1N8. Price: $20.

Ontario Economic Accounts

This quarterly report contains data on changes in Ontario's economic growth. Copies may be obtained free by writing to the Ministry of Treasury and Economics, Office of Economic Policy, 5th Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1.

Demographic Bulletin

This bulletin provides statistics on the components of population changes in Ontario and is produced intermittently during the year. Copies may be obtained free from the Ontario Government Bookstore, 880 Bay Street, Toronto, or by writing to the Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario, M7A 1N8.